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What Australians should consider doing in a falling cash rate environment in 2025

For Consumers (Especially Homeowners & Borrowers)

- **Shop around for better loan rates**
  Many lenders, especially the big four are relying on charging a 'loyalty tax' via higher rates to borrowers who don't shop around! Banks and lenders are now offering rates with a '5' in front.

- **Consider refinancing or switching lenders**
  If your current mortgage rate exceeds 5.5%, it may be timely to investigate refinancing. This may incent your existing bank to match better rates or move to a lender that is prepared to offer you great rates!

- **Lock in lower fixed rates if risk-averse**
  Fixed-rate loans around 5% offer payment certainty and protection against future hikes and are attractive for cautious borrowers; it's a good time to discuss these options with your Chocolate Money finance broker.

- **Manage expectations—but act proactively**
  Anticipated multiple rate cuts could yield meaningful savings—but banks may pass on these unevenly; Don't wait on outcomes—start exploring options now by discussing your plans and borrowing requirements with your finance broker now.

- **For savers—reassess strategy**
  Lower rates mean reduced returns on term deposits. Alternatives such as cash and fixed-income ETFs may offer better yield opportunities but best to speak to your financial advisor. (Of which Chocolate Money is not a financial advisor.)

For Businesses (From SMEs to Corporates)

- **Refinance existing debt or explore new borrowing**
  Falling cash rates reduce borrowing costs for businesses; especially those considering expansion or capital investment. Bank lending opportunities have significantly increased with lenders becoming more lenient in a positive lending environment meaning more options for business borrowers!

- **Seize investment opportunities**
  Lower discounted rates increase the present value of future cash flows—good news for businesses, particularly in growth sectors. Some investment property owners are still looking to offload surplus stock, providing great purchasing opportunities for other investors!
- **Revive consumer-focused plans**
  Improved household cash flow from mortgage relief may gradually boost consumer spending; retailers and other businesses should consider marketing or inventory optimisations to ride this recovery wave. Getting your website spruced up or considering new marketing strategies and campaigns may yield better results than in the past couple of years.
- **Capitalise on positive business sentiment**
  Economic forecasts show rising confidence. Declining interest rates combined with strong balance sheets and population growth create a supportive environment for mid-sized businesses to access financing and scale operations.

In summary, the tightening of budget belts may be coming to end with the expected ongoing decrease in the cash rate.

Speak to Chocolate Money in regard to the more liberal lending policies for many sectors – especially construction and medical-related industries for an insight into how these may benefit your existing and future borrowing position.

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